

Your Money, Your Future

2026 TAX UPDATE



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Your Speaker



Anna Yen, CFA[®], ChSNC[®]

- Veteran of Wall Street trading floors since the early 2000s
- Career spanning derivatives salestrading at JPMorgan and UBS, hedge fund hedge fund portfolio management during the 2008 financial crisis, with a later focus on asset management, financial writing (featured on consumer sites like Quicken, Igrad), and advisory
- Prudent Investors provides financial planning and investment management, specializing in working with professional fiduciaries on trusts on trusts and estates as a fee-only (SEC) Registered Investment Advisor



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Tax Planning

The foundation of financial success

37%

Top Federal
Income Tax Rate

13.3%

Top California
State Tax Rate

Principles

- Every dollar of taxes saved is a dollar that works for YOU
- Manage income and deductions strategically
- Maximize tax-advantaged accounts: IRA, 401(k), HSA, 529, ABLE
- The OBBBA (signed July 4, 2025) is the most significant tax legislation since TCJA 2017

How Your Tax Return Works

From gross income to final tax owed

Gross Income

EXAMPLES: Wages · Salary · SS Benefits · IRA Benefits · IRA Distributions · Pension

– Above-the-Line Deductions

EXAMPLES: IRA contributions · HSA ·

= **Adjusted Gross Income (AGI)**

A key benchmark — determines limits & phase-outs

– Standard or Itemized Deductions

Standard: \$31,500 MFJ
Itemized: SALT, mortgage interest, charitable
charitable

= **Taxable Income**
– Tax Credits = Tax Owed

Apply 10%–37% rates

Credits reduce tax dollar-for-dollar

Social Security Taxation & Provisional Income

Up to 85% of Social Security benefits may be taxable

Provisional Income = AGI + Tax-Exempt Interest + 50% of Social Security Benefits

Married Filing Jointly (MFJ)		Single	
Under \$32,000	0% taxable	Under \$25,000	0% taxable
\$32,000 – \$44,000	up to 50%	\$25,000 – \$34,000	up to 50%
Over \$44,000	up to 85%	Over \$34,000	up to 85%

⚠ These thresholds have never been indexed for inflation — more retirees are affected each year.

Example: Dorothy, Age 72 (Single)

SS Benefits
\$24,000

RMD Income
\$18,000

Interest
\$3,000



Provisional Income: \$33,000

→ 50% zone · up to \$12,000 SS taxable

Understanding Your Tax Bracket

The U.S. uses a progressive system — you only pay each rate on income within that bracket, not on your total income

Your bracket = the rate on your LAST dollar, not all your income. A \$150K earner is NOT taxed at 22% on everything — only the slice above \$96,950.

2026 Federal Tax Brackets — Married Filing Jointly

10%	12%	22%	24%	32%	35%	37%
\$0 – \$23,850	\$23,851 – \$96,950	\$96,951 – \$206,700	\$206,701 – \$394,600	\$394,601 – \$501,050	\$501,051 – \$751,600	Over \$751,600

Single filer: brackets are roughly half the MFJ thresholds · Top 37% rate begins at \$626,350 (Single) vs. \$751,600 (MFJ)

Example

MFJ · \$150,000 taxable income

Rate	On	Tax
10%	\$23,850	\$2,385
12%	\$73,100	\$8,772
22%	\$53,050	\$11,671
24%+	—	—

Total Tax **\$22,828**

Effective rate: 15.2%

Marginal rate: 22%

Federal Tax Brackets — 2025 & 2026

OBBBA makes these brackets “permanent”

2025 Tax Brackets		
Rate	Single	Married Filing Jointly
10%	Up to \$11,925	Up to \$23,850
12%	\$11,926 – \$48,475	\$23,851 – \$96,950
22%	\$48,476 – \$103,350	\$96,951 – \$206,700
24%	\$103,351 – \$197,300	\$206,701 – \$394,600
32%	\$197,301 – \$250,525	\$394,601 – \$501,050
35%	\$250,526 – \$626,350	\$501,051 – \$751,600
37%	Over \$626,350	Over \$751,600

2026 Tax Brackets		
Rate	Single	Married Filing Jointly
10%	Up to \$12,400	Up to \$24,800
12%	\$12,401 – \$50,400	\$24,801 – \$100,800
22%	\$50,401 – \$105,700	\$100,801 – \$211,400
24%	\$105,701 – \$201,775	\$211,401 – \$403,550
32%	\$201,776 – \$256,225	\$403,551 – \$512,450
35%	\$256,226 – \$640,600	\$512,451 – \$768,700
37%	Over \$640,600	Over \$768,700

One Big Beautiful Bill Act (OBBBA)

Signed into law July 4, 2025 · The most significant tax legislation since the Tax Cuts and Jobs Act (2017)

TCJA Tax Brackets, Rates,	“Permanent”	Tax rates, brackets & standard deduction extended — no sunset at end of 2025. 7-bracket structure (10%–37%) made permanent.
New Deductions	\$25K / \$12.5K	Tips, qualified overtime, qualified car loan interest now deductible, effective 2025–2028.
SALT Expanded	\$40,000	State & local tax deduction cap raised from \$10,000 to \$40,000 for 2025–2029.
Family Credits	\$2,200	Child Tax Credit increased from \$2,000 to \$2,200 and indexed for inflation. Trump Savings Accounts created for children (eff. 2026, up to \$5K/yr).
Senior Bonus	+\$6,000	New \$6,000 bonus deduction per person age 65+ (2025–2028). Stacks on top of existing age add-on and base standard deduction. Available to itemizers and non-itemizers. Phases out \$75K–\$175K (single).
EV & Energy Credits	Expired	EV credits, home energy credits expired in 2025. EV charging equipment credit phases out in 2026.
Charitable Giving	Eff. 2026	Non-itemizers: new \$1K (single) / \$2K (MFJ) above-the-line deduction starting 2026. Itemizers: 0.5% AGI floor applies before deduction.

OBBBA Economic Impact — Key Findings

The Tax Policy Center (TPC) estimates that economic growth from the One Big Beautiful Bill Act (OBBBA) would offset less than 10 percent of its \$3.4 trillion net cost (Figure 1). **The bill's policies, macroeconomic effects, and interest costs would increase federal debt by \$4.5 trillion, by 2034. Within 25 years, these higher deficits would lead to a decline in GDP.**

Overall, TPC projects that GDP would be higher by about 0.7% in 2026 and 0.6% in 2027 under OBBBA compared to current law, mostly due to increased incomes. Over time, those **short-run effects would fade due to higher interest rates, lower investment, and other standard economic responses to those rates.** The impact of the bill on incentives that influence how people decide to work, save, invest, or innovate would take over.

While lower taxes generally encourage work and saving, **reduced tax revenue would cause larger deficits and increase federal borrowing, pushing up interest rates.** This tends to "crowd out" private investment and slow economic growth over time, worsening as deficits accumulate.

Change in Real GDP from OBBBA

Figure 1. Real GDP Growth: OBBBA vs TCJA Expiration

Percent Difference from Baseline

OBBBA TCJA Expiration

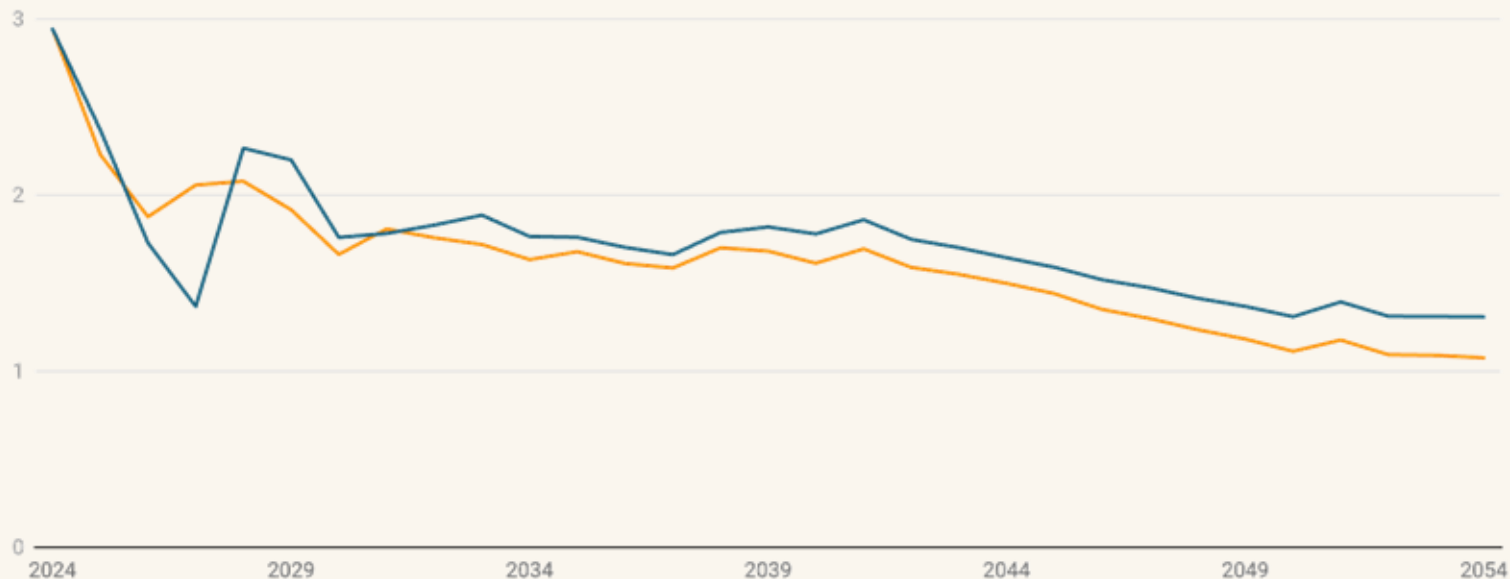


Chart: The Budget Lab - Source: The Budget Lab - Created with [Datawrapper](#)

Change in Real GDP from OBBBA

Figure 2. Change in Real GDP from OBBBA

Percent Difference from Baseline

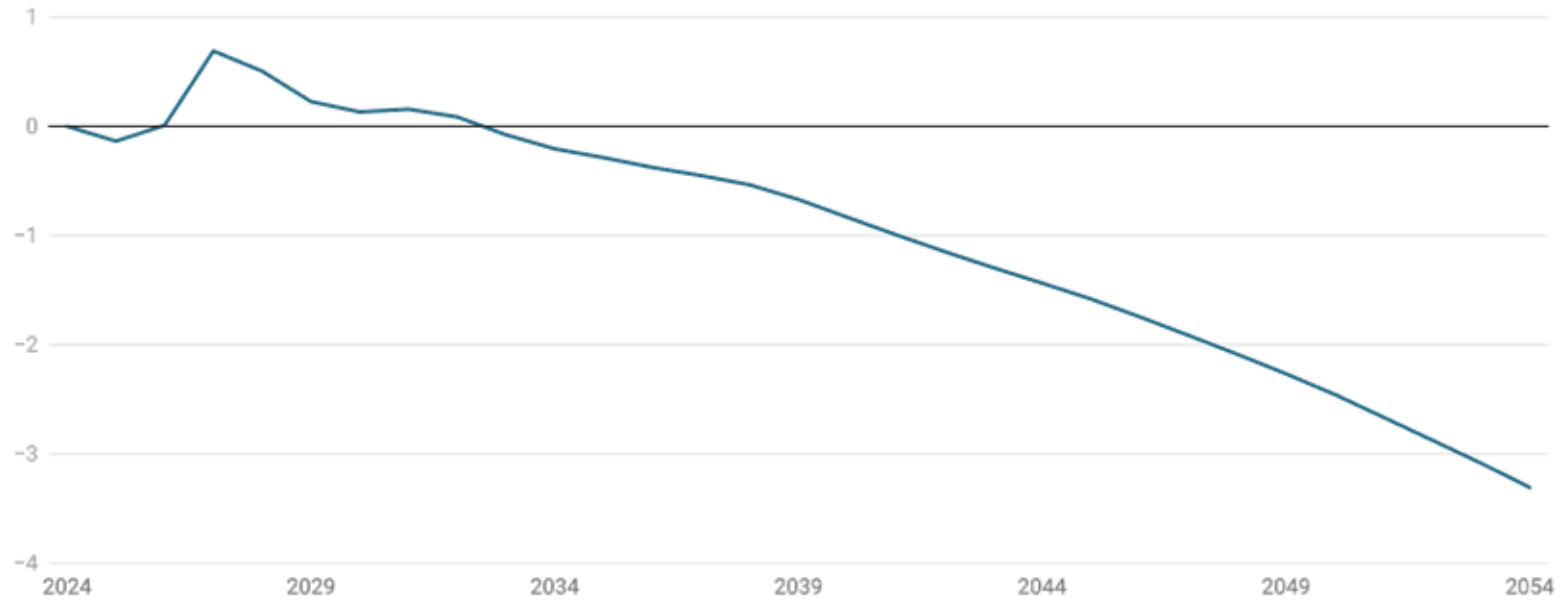


Chart: The Budget Lab • Source: The Budget Lab • Created with [Datawrapper](#)

Change in Effective Interest Rate on Federal Debt

Figure 4. Effective Interest Rate on Federal Debt

Percentage Points, Difference from Baseline

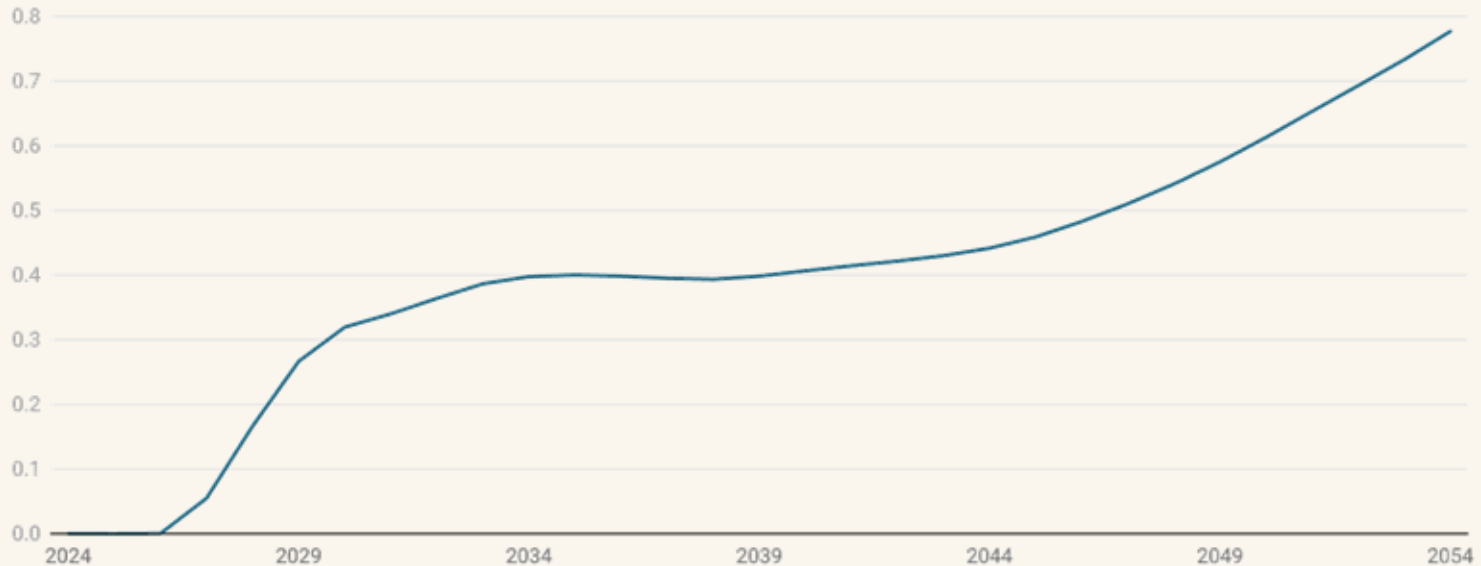


Chart: The Budget Lab • Source: The Budget Lab • Created with [Datawrapper](#)

OBBBA: Impact on After-Tax Income by Income Group

One Big Beautiful Bill Act Tax Changes Increase After-Tax Incomes Across the Board in 2026

Percent Change in After-Tax Income from One Big Beautiful Bill Tax Provisions, 2026 (Conventional)



Note: Estimates only include OBBBA tax provisions and exclude the impact of the law's spending changes on after-tax incomes.

Source: Tax Foundation General Equilibrium Model, July 2025.

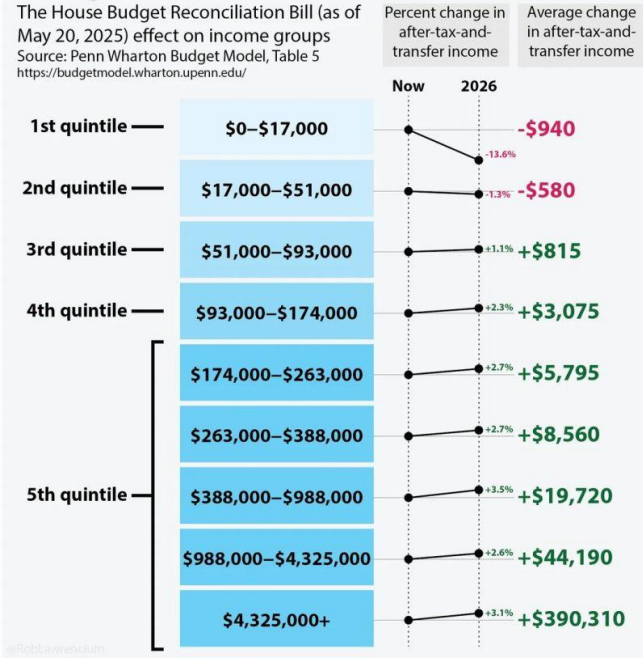


Source: Tax Foundation General Equilibrium Model, July 2025 · Tax provisions only

Tax provisions only — excludes spending cuts (Medicaid, SNAP, ACA) which reduce net benefits for lower-income households

The "Big Beautiful Bill"

The House Budget Reconciliation Bill (as of May 20, 2025) effect on income groups
Source: Penn Wharton Budget Model, Table 5
<https://budgetmodel.wharton.upenn.edu/>



Source: Penn Wharton Budget Model, Table 5 · Includes tax + spending changes

OBBBA Key Tax Changes at a Glance

One Big Beautiful Bill Act — signed July 4, 2025 · Effective tax year 2025 unless noted

	Under OBBBA	
Tax Brackets	10–37% brackets made permanent	Permanent
Standard Deduction	Starting 2025: Single \$15,750 · MFJ \$31,500	Permanent
SALT Deduction Cap	\$40,000 cap (2025–2029) Phases out above \$500K MAGI Reverts to \$10K in 2030	2025–2029
Tips & Overtime	Tips: up to \$25K deduction Overtime: up to \$12.5K / \$25K MFJ (2025–2028)	2025–2028
Senior Bonus Deduction	Extra \$6,000 deduction (age 65+) Phases out: \$75K–\$125K single \$150K–\$250K MFJ (2025–2028)	2025–2028
Child Tax Credit	\$2,200 per child (indexed)	Permanent
Estate & Gift Exemption	\$15M — starts 2026, indexed Made permanent	Eff. 2026
Car Loan Interest	Up to \$10K deduction on new US-assembled vehicles (2025–2028)	2025–2028

Standard Deduction — 2025 & 2026

OBBBA makes TCJA provisions permanent

Standard Deduction

Filing Status	2025	2026
Single	\$15,750	\$16,100
Head of Household	\$23,625	\$24,150
Married Filing Jointly	\$31,500	\$32,200

indexed for inflation

New Income Deductions — OBBBA 2025–2028

Tips • Overtime • New Car Loan Interest

No Tax on Tips

Effective 2025–2028

Up to \$25,000

Deduction for qualified tips in IRS-listed occupations (hospitality, food service, beauty, etc.)

Must be voluntary tips paid by customers — mandatory service charges do NOT qualify.

Phases out: MAGI over \$150K (single) / \$300K (MFJ)

Overtime Pay

Effective 2025–2028

\$12,500 / \$25,000 MFJ

Deduction for the overtime premium — the extra 'half' in time-and-a-half pay.

Must be reported on W-2 (starting 2026, employers required to report separately).

Phases out: MAGI over \$150K (single) / \$300K (MFJ)

Car Loan Interest

Effective 2025–2028

Up to \$10,000

Deduction for interest on NEW car loans (used vehicles excluded).

Vehicle must be US-assembled, purchased for personal use (not business).

Phases out: MAGI over \$100K (single) / \$200K (MFJ)

SALT Deduction — State & Local Tax Relief

OBBBA 2025 raises the cap to \$40,000 — major relief for high-tax state residents

SALT = Property Tax + State Income Tax + Local Taxes — Schedule A itemizers only



What Is SALT?

Includes: property taxes, state income taxes, and local taxes. Deductible on Schedule A — itemizers only. Cannot deduct both state income and sales taxes.



Old Rule (TCJA 2017)

TCJA capped SALT at \$10,000 (MFJ). Hurt CA, NY, NJ, IL homeowners — especially retirees paying both high property taxes and state income tax.



New Rule (OBBBA 2025)

Cap raised to \$40,000 (MFJ) for MAGI under \$500,000. Phases out above \$500K. Effective 2025-2029.

Before OBBBA: \$10,000 cap After OBBBA: \$40,000 cap (2025–2029)

Especially impactful for California, New York, New Jersey, and other high-tax states

Senior Bonus Deduction — Age 65+

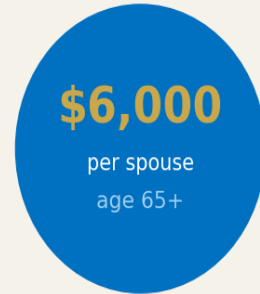
above-the-line deduction for 2025–2028

\$6,000 per qualifying senior (age 65+) · Up to \$12,000 for qualifying couples

In addition to the standard deduction OR itemized deductions — available to ALL seniors regardless of filing method

Phase-Out Ranges (MAGI)

Filing Status	Phase-Out Begins	Fully Phased Out
Single	\$75,000	\$125,000
Married Filing Jointly	\$150,000	\$250,000



2025 - 2028

OBBBA Senior Bonus Deduction

Senior Deduction — What's New in 2025

Bonus on top of existing age deductions — available 2025–2028

★ NEW: Senior Bonus

\$6,000 per person · \$12,000 per qualifying couple · 2025–2028 only

Available to BOTH standard deduction AND itemizers

+\$6,000

0

Existing Age 65+ Add-On (always existed, still here)

Single: +\$2,000 · MFJ (each spouse 65+): +\$1,600 per person

+\$2,000

0

Base Standard Deduction (everyone gets this)

Single: \$15,750 · MFJ: \$31,500

\$15,750

Single filer 65+ total deduction: \$23,750

Couple (both 65+): \$46,700

Bonus Phase-Out — Single Filer

Under \$75K

\$6,000 ✓ Full

\$100K

\$4,500

\$125K

\$3,000

\$150K

\$1,500

\$175K+ → \$0

\$0

MFJ (both 65+): Full below \$150K · Zero above \$250K

Charitable Giving Strategies

OBBBA changes effective January 1, 2026 + QCDs

Non-Itemizers

New deduction starting 2026:

\$1,000 (Single)

\$2,000 (MFJ)

✗ Does not apply to donor-advised funds

✗ No carryover of excess

✓ Permanent provision (begins 2026)

Itemizers

Only donations exceeding 0.5% of AGI are deductible

Example: AGI \$200,000
Floor = \$1,000 (0.5% × \$200K)
\$10,000 donation → \$9,000 deductible

60% AGI limit on cash gifts remains permanent

QCD — Strategy for Age 70½+

- ★ Up to \$108,000/yr directly from IRA (2025)
- ★ Counts toward your RMD
- ★ Not included in AGI
- Available starting at age 70½
- Must go directly from IRA custodian to charity

TIP: Donor-Advised Funds (DAFs) facilitate bunching charitable deductions — contribute several years at once to itemize, then grant over time.

Required Minimum Distributions (RMDs)

SECURE Act 2.0 & Spousal Inherited IRA Rules

RMD Starting Age

Born	Age
Before 1951	70½–72
1951–1959	73
1960 or later	75

How RMDs Are Calculated

Year End Balance ÷ Life Expectancy Factor

Spousal Inherited IRA

- 1 Rollover to Own IRA
- 2 Spousal Election (SECURE 2.0)
- 3 Keep as Inherited IRA

First RMD deadline: April 1 after reaching RMD age

Child Tax Credit — Permanent Expansion

Increased, indexed, and made permanent by OBBBA

Child Tax Credit (CTC) — Key Changes

Feature	Pre-OBBBA	OBBBA
Credit per child	\$2,000	\$2,200
Indexed for inflation	No	Yes
Expiration	2025	NONE
Phase-out (MFJ)	\$400K+	\$400K+
Refundable portion	Up to \$1,700	Up to \$1,700

Child & Dependent Care Credit

- Maximum credit rate increased from 35% to 50% of eligible expenses for lower AGI
- Maximum credit: \$1,500 (one child) / \$3,000 (two+ children)
- Income-based phase-down: higher earners receive reduced percentage
- Covers daycare, after-school care, summer day camps

★ Trump Savings Accounts — New in 2026

Tax-deferred savings accounts for children under 18. Government deposits \$1,000 for babies born 2025–2028. Up to \$5,000/yr in after-tax contributions. Distributions available at age 18, invested in U.S. index funds.

Federal Gift & Estate Tax — 2025/2026

OBBBA provides significant estate planning opportunities

Key Gift & Estate Tax Figures

Item	2025	2026	Notes
Annual Gift Exclusion	\$19,000/recipient	\$20,000/recipient	Indexed for inflation; no limit on # of recipients
Lifetime Estate/Gift Exemption	\$13,990,000	\$15,000,000	Expanded exemption
Top Estate Tax Rate	40%	40%	No change
Medical/Tuition Direct Payments	Unlimited	Unlimited	Pay provider directly — no gift tax
529 Superfunding	5 × \$19,000 = \$95,000	5 × \$20,000 = \$100,000	5-year gift tax averaging per beneficiary

\$20,000 Annual Gift Exclusion (2026)



OBBBA 2026 — Made Permanent

IRS Penalties



Failure to File

5%

per month

Max 25%

Of unpaid tax for each month (or partial month) late.



Failure to Pay

0.5%

per month

Max 25%

Of unpaid tax per month after due date.



Negligence / Understatement

20%

of understated tax

Civil penalty

Applies after audit where income was underreported or deductions unsupported.



Fraudulent Return

75%

of understated tax

+ Criminal risk

Intentional fraud. May also trigger criminal charges.

★ File on time even if you can't pay — the failure-to-file penalty is larger than the failure-to-pay penalty

Beware of Tax Scams



File Pay Refunds Credits & Deductions Forms Report Fraud

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Tax scams

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Interactive Tax Assistant

Tools

Report fraud

Tax scams

If you were scammed

Identity theft

Notices and letters

Appeals

Frequently asked questions

Accessibility

Contact your local IRS office

Contact an international IRS office

Tax topics

If you get an email, text, letter or call that claims to be from the IRS — or if you see social media posts about how to get a refund — it might be a scam or bad tax advice.



What to know

An email, call or message could be a scam if it:

- Is unexpected
- Rushes or threatens you
- Offers refunds, credits or deductions
- Pressures for personal or financial information
- Tells you to pay now "or else"

[How to know it's the IRS](#)

Current tax scams

Protect yourself. Be aware of current scams:



Report a scam

If you were scammed, had your information stolen or suspect fraud, there are actions you can take.

[Report fraud, a scam or identity theft](#)

[Take steps if you were scammed](#)

+ IRS Online Account help

+ Overstated withholding

- Seniors

Scammers call senior citizens with claims of tax owed or refunds. They may:

- Impersonate the IRS, Social Security Administration or Medicare
- Claim problems, refunds or prizes
- Pressure for immediate action
- Ask for payment by wire transfer, gift cards or cryptocurrency

Hang up if you get a suspicious call.

[IRS warning against scams targeting seniors](#)

- Social media

Tax advice

Bad tax advice on social media can mislead you about credit or refund eligibility. Influencers may convince you to lie on tax forms or incorrectly suggest the IRS is keeping a tax credit secret from you. Social media posts may connect you with scammers.

[IRS warning against taking social media tax advice](#)

IRS social media

We never send direct messages by social media. We use social media to share updates on tax changes, scam alerts and IRS services.

[Report a fake IRS message](#)

[Follow our social media accounts](#)

IRS Dirty Dozen 2026 Tax Scams: [irs.gov/newsroom/dirty-dozen-tax-scams-for-2026-irs-reminds-taxpayers-to-watch-out-for-dangerous-threats](https://www.irs.gov/newsroom/dirty-dozen-tax-scams-for-2026-irs-reminds-taxpayers-to-watch-out-for-dangerous-threats)

Why Taxes Matter: The Power of Compounding

The Power of Compound Interest

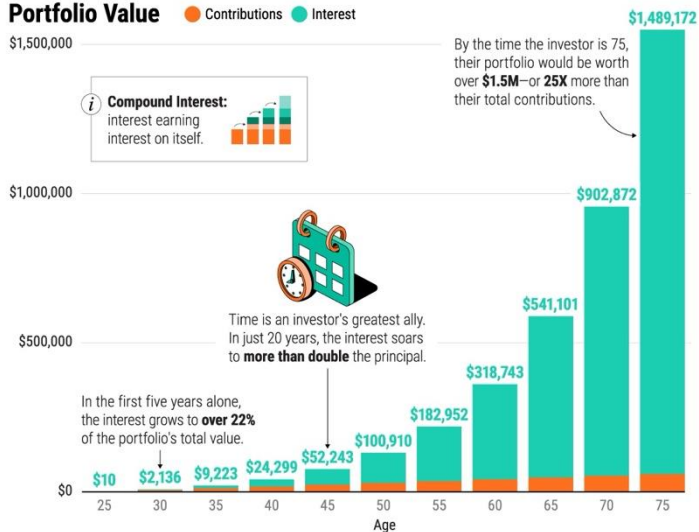
AND REGULAR CONTRIBUTIONS OVER TIME

Below, we show how investing **\$100** each month at a **10%** annual return can generate exponential results—thanks to the power of compounding interest over the long term.

“ The first rule of compounding:
Never interrupt it unnecessarily. ”
—Charlie Munger

Portfolio Value

Contributions Interest



The Two Key Ingredients to Growing Money

Key pillars for growing wealth are time and your rate of return. Here's how they impact a portfolio's value over time.

Rate of Return

Investment Horizon



Source: Investor.gov



RESEARCH • WRITING Dorothy Neufeld | DESIGN Sabrina Lam

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The Power of Compounding & Tax Deferral

Einstein called it the 8th Wonder of the World

\$10,000 Invested at 7% Annual Return

Years	Taxable	Tax-Deferred
10	\$17,081	\$19,672
20	\$29,178	\$38,697
30	\$49,840	\$76,123
40	\$85,133	\$149,745

Tax-deferred account grows 76% MORE over 40 years!

**Assumes 7% gross return; taxable account reflects 5.5% net after 1.5% annual tax drag*

Tax-Advantaged Account Types

Traditional IRA / 401(k)

Pre-tax contributions, tax-deferred growth, ordinary income upon withdrawal

Roth IRA / Roth 401(k)

After-tax contributions, tax-FREE growth and qualified withdrawals

529 Education Plan

After-tax contributions; tax-free growth for qualified education expenses

ABLE Account

Tax-free savings for individuals with disabilities

HSA

Triple tax benefit: deductible, grows tax-free, tax-free for medical expenses

Thank You!

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